

Rochester Tel Center
180 South Clinton Avenue
Rochester, New York 14646-0700
716-777-1028

Michael J. Shortley, III
Senior Corporate Attorney



RochesterTel

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November 23, 1992

BY OVERNIGHT MAIL

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: CC Docket No. 92-101
Notice of Ex Parte Presentation

Dear Ms. Searcy:

Pursuant to section 1.1206(a) of the Commission's rules, 47 C.F.R. § 1.1206(a), Rochester Telephone Corporation ("Rochester") hereby submits for the public record two (2) copies of letters that it sent from Mr. Ronald L. Bittner, Rochester's Chairman and Chief Executive Officer to Chairman Sikes and Commissioners Quello, Marshall, Barrett and Duggan regarding whether the incremental expense increases associated with the implementation of SFAS-106 qualify for exogenous treatment under price cap regulation.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,

Michael J. Shortley, III

Michael J. Shortley, III

(3012P)

No. of Copies read
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Rochester Tel Center
Rochester, New York 14646-0700

716-777-8007

Ronald L. Bittner
President & CEO

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

BY OVERNIGHT MAIL

Honorable Alfred C. Sikes
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Sikes:

I was just informed through our contacts at USTA, who held an ex parte meeting with the Commissioner's Legal Advisors on November 18th, that the Commission's pending order on the treatment of SFAS-106 may completely deny Price Cap LECs any exogenous treatment of this expense. Such a ruling would, I believe, come as a complete surprise to every Price Cap LEC, who have long believed that mandatory accounting changes are one category of externally imposed changes that qualify under the Commission's rules for exogenous cost treatment. Indeed, even AT&T, the LEC industry's largest customer, did not object in principle to exogenous treatment of this mandated accounting change for Price Cap LECs.

Rochester Telephone was one of only three Local Exchange Carriers who voluntarily chose to adopt the Commission's Price Cap form of incentive regulation. We did so because we felt that our companies possess the resources and skills necessary to run efficient telephone operations, and that both our customers and shareowners would benefit if we were given increased control over our prices and profitability. Our adoption of Price Cap regulation, however, also assumed that we would be able to adjust our indices and rates for externally imposed cost changes over which we have little or no control. Although the Commission's Price Cap Order could not document every potential cost change that might qualify for exogenous treatment, the Commission's mandate that we adopt SFAS-106 for Other Post-Retirement Benefits is a clear example of what was intended to be treated as an exogenous expense in the Price Cap Order.



November 23, 1992
Honorable Alfred C. Sikes
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The Commission's primary test as to whether a particular cost change should be given exogenous treatment is the degree of control that the LEC exercises with respect to that cost. The majority of the incremental OPEB expenses that LECs must now recognize on their financial statements represents the recognition of benefits earned in prior years. Clearly, LECs have absolutely no control over the change in the accounting recognition of these costs that has been required by the Commission.

From an equity perspective, exogenous cost treatment is also warranted. Under prior rate-of-return regulation, Price Cap LECs were restricted to recovering only those OPEB costs which were permitted to be recognized as accounting costs at that time by the Commission, even though it was known that these costs fell far short of the true economic liability being incurred by LECs. To now prohibit the Price Cap LECs from being able to adjust their rates in line with the new accounting standards, while appropriately permitting current Rate-of-Return LECs the opportunity to adjust their prices, would be a distinction without a basis. A Commission decision to disallow exogenous treatment of OPEB costs by Price Cap LECs would seriously undermine the Commission's desire to have other LECs adopt incentive-based regulation.

I sincerely hope that your decision regarding the exogenous treatment of OPEB costs is made with appropriate recognition of the true spirit and intent of Price Cap regulation.

Very truly yours,

Ronald L. Bittner
President and CEO

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President & CEO



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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable James H. Quello
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Commissioner Quello:

I was just informed through our contacts at USTA, who held an ex parte meeting with the Commissioner's Legal Advisors on November 18th, that the Commission's pending order on the treatment of SFAS-106 may completely deny Price Cap LECs any exogenous treatment of this expense. Such a ruling would, I believe, come as a complete surprise to every Price Cap LEC, who have long believed that mandatory accounting changes are one category of externally imposed changes that qualify under the Commission's rules for exogenous cost treatment. Indeed, even AT&T, the LEC industry's largest customer, did not object in principle to exogenous treatment of this mandated accounting change for Price Cap LECs.

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Ronald L. Bittner
President and CEO

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable Sherrie P. Marshall
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Commissioner Marshall:

I was just informed through our contacts at USTA, who held an ex parte meeting with the Commissioner's Legal Advisors on November 18th, that the Commission's pending order on the treatment of SFAS-106 may completely deny Price Cap LECs any exogenous treatment of this expense. Such a ruling would, I believe, come as a complete surprise to every Price Cap LEC, who have long believed that mandatory accounting changes are one category of externally imposed changes that qualify under the Commission's rules for exogenous cost treatment. Indeed, even AT&T, the LEC industry's largest customer, did not object in principle to exogenous treatment of this mandated accounting change for Price Cap LECs.

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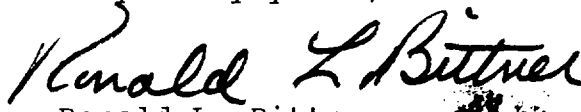
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Honorable Sherrie P. Marshall
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Honorable Andrew C. Barrett
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Commissioner Barrett:

I was just informed through our contacts at USTA, who held an ex parte meeting with the Commissioner's Legal Advisors on November 18th, that the Commission's pending order on the treatment of SFAS-106 may completely deny Price Cap LECs any exogenous treatment of this expense. Such a ruling would, I believe, come as a complete surprise to every Price Cap LEC, who have long believed that mandatory accounting changes are one category of externally imposed changes that qualify under the Commission's rules for exogenous cost treatment. Indeed, even AT&T, the LEC industry's largest customer, did not object in principle to exogenous treatment of this mandated accounting change for Price Cap LECs.

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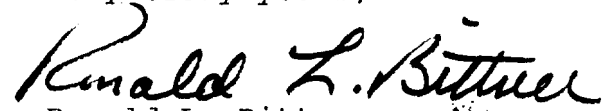
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Honorable Andrew C. Barrett
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Honorable Ervin S. Duggan
Commissioner
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Commissioner Duggan:

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